

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2051 – SB 2336

March 24, 2014

SUMMARY OF ORIGINAL BILL: Prohibits the enactment of any ordinance or resolution by a county or municipal legislative body to increase the property tax rate by more than 25 percent until approved by the voters in the county or municipality by referendum. The referendum may be held in conjunction with a general election, but in the absence of a general election, a special election must be held. Requires municipalities holding a special election to pay all costs associated with holding a special election.

FISCAL IMPACT OF ORIGINAL BILL:

Forgone Local Revenue – Exceeds \$100,000

Other Fiscal Impact – The number of local governments who will elect to hold a special election for the purpose of increasing the property tax rate in excess of 25 percent is unknown; however the one-time increase in local expenditures associated with holding any special election is reasonably estimated to exceed \$10,000.

SUMMARY OF AMENDMENTS (013762, 014876): Amendment 013762 deletes and rewrites the bill such that the only substantive change is to clarify that the proposed prohibition is applicable to the assessed property value proposed by the county legislative body within a one-year period. Amendment 014876 deletes provisions within Amendment 013762. Requires, prior to any increase of more than 10 percent in the property tax rate by the local legislative body, notice of the intended increase to be published in a newspaper of general circulation and presentation of an affidavit of publication to the Comptroller of the Treasury within 30 days of such publication; a copy of the notification to be posted on any existing web site maintained by the local government; and after a public hearing, adoption of a resolution by two-thirds majority.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Forgone Local Revenue – Exceeds \$100,000

Increase Local Expenditures - \$3,240*

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Assumptions for the bill as amended:

- Under current law, counties and any municipality operating under the Municipal Budget Law of 1982 are required to hold a public hearing prior to passage of a budget and to publish a copy of the proposed budget in a newspaper of general circulation at least 10 days prior to the vote on the budget.
- It is assumed any public hearing required by the provisions of this bill can be accomplished at a regularly-scheduled meeting of the local legislative body; however the required publication will be in addition to the currently required budget publication.
- According to responses received to the 2013 Local Government Survey conducted by the Fiscal Review Committee, participating officials indicated the average cost for a newspaper publication was \$108 per publication.
- It is assumed approximately 30 local governments will attempt to increase the property tax rate in excess of 10 percent each year.
- If 30 local governments were required to publish an additional notification in a newspaper annually, it would result in an increase in local government expenditures exceeding \$3,240 (\$108 per notification x 30 notifications) annually statewide.
- Under current law, a majority of members of the local governing body voting in the affirmative is needed to pass an ordinance or resolution. The provisions of the bill would require two-thirds of members to vote in the affirmative for passage of an ordinance or resolution raising the tax rate more than ten percent.
- The number of local governments that will increase their property tax rates in the future by less than 10 percent as a direct result of this bill, or that would have increased rates by more than 10 percent in lieu of this bill is unknown. As a result, determining a precise amount of forgone local government property tax revenue is difficult; however such forgone amount is reasonably estimated to exceed \$100,000 per year statewide.
- The provisions of the bill as amended may result in decreased bond ratings for local governments as a result of additional requirements prior to increasing property tax rates; however such secondary impact to local government cannot reasonably be determined.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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